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SUBJECT: MFA SAYS RUSSIA-TURKMENISTAN RELATIONS STRONG; GAS
ANNOUNCEMENT SOON

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Classified By: Political Minister Counselor Susan M. Elliott for reason
s: 1.4 (b), (d).

11. (C) Summary. The MFA continues to emphasize Russia's stable political relations and growing economic and cultural ties with Turkmenistan, despite the recent impasse over gas shipments. Eager to maintain influence in the region despite Gazprom's gas glut, President Medvedev has agreed with Turkmen President Berdimuhamedov on new terms to resume gas deliveries and could announce the agreement by the end of the year. President Medvedev plans to visit Ashgabat on December 22, ostensibly to open a new Russian school. Meeting on November 29, the two presidents discussed several other energy transit proposals that could involve Russian construction companies and Afghanistan as a transit country. Russia has not convinced Turkmenistan to join regional groupings such as the CSTO or SCO, but appears comfortable with Turkmenistan's "neutral" status if it means no U.S. bases in the country. End Summary.

All is Well, Despite Gas Impasse

12. (C) In a meeting on December 11, MFA Third CIS Department Counselor Vladimir Sterligov told poloff that Russia enjoys stable and friendly political relations and deep cultural and economic ties with Turkmenistan, noting that President Medvedev had met with Turkmen President Berdimuhamedov three times already this year. He maintained the April 2009 pipeline explosion and subsequent impasse over gas shipments had not damaged relations and that an agreement to resume gas deliveries would be announced soon. Sterligov did not speculate on the precise cause of the pipeline accident that halted Turkmen gas shipments to Russia, but explained that weaker European demand for gas had prompted Russia to reduce its import volumes even before the incident. Sterligov said Russia supported Turkmenistan's new gas transit routes to China and Iran and dismissed speculation that the new routes compromised Russian interests. Noting that construction on the projects commenced long before the halt in gas exports to Russia, Sterligov estimated that China would receive 6 bcm of Turkmen gas in 2010 and as much as 30 bcm annually within two or three years, while Iran would receive an annual volume of 16 bcm within a year. Some analysts have commented that

Moscow and Gazprom are supportive of the China gas deal because it ensures less Turkmen gas would be available for a trans-Caspian pipeline, a project that could compete with Gazprom in supplying gas to the European market.

Gas Agreement Reached...Announcement Soon

¶3. (C) Sterligov said that in their November 29 meeting, Medvedev and Berdimuhamedov gave their blessing to a deal between Gazprom and Turkmengaz on the resumption of Turkmen gas shipments. He said that the two sides had already agreed on the main issues of price and volume and were now working out technical details of the new agreement. Sterligov did not say what the price and volume levels were, but said that volumes would be significantly less than the previous 40 bcm per year and that prices would reflect new realities of the market. While he said there were no plans for Medvedev to announce a new gas agreement during his planned visit to Ashgabat on December 22, Sterligov did not rule it out. He speculated that an agreement would likely be announced by the end of the year, given the intense political pressure for a deal and Turkmenistan's worsening budgetary problems stemming from the loss of gas revenue.

¶4. (C) Comment: By some accounts Gazprom has up to 200 bcm of spare capacity and has no need for Turkmen gas, not even for the 10-12 bcm that Gazprom has suggested it will import in 2010. However, at the right price, and under the right terms, which will surely remain a secret, there is likely a way for both sides to profit from the trade. Even while ceding 30-40 bcm per year of Turkmen gas to China, Russia knows that cutting off its gas link to Turkmenistan completely would threaten its political and economic influence in the region. End Comment.

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Russian Firms Eyeing Turkmen Energy Projects

¶5. (C) Sterligov said that in November the two presidents also discussed a proposal for the sale of surplus Turkmen electricity to Tajikistan via Afghanistan, a project that could involve Russian construction firms. Sterligov acknowledged that stability in northern Afghanistan would be a prerequisite for such a project, but that the Afghan route looked promising given Uzbekistan's recent departure from the Central Asian unified energy grid and Tajikistan's need for electricity in winter months. He added that another proposal for a Turkmen gas pipeline to Pakistan and India would also transit Afghanistan. According to Sterligov, the presidents also discussed the recent tender for the construction of a domestic pipeline to connect gas fields in eastern Turkmenistan with its existing pipeline network along the Caspian Sea. Sterligov said that while Gazprom did not participate, Russia's SroyTransGaz, along with Western companies, had tendered an offer and was awaiting the results.

Turkmen "Neutrality"

¶6. (C) Sterligov conceded that Turkmenistan guarded closely its "neutrality" and has shown no desire to join regional organizations such as the CSTO or SCO. Although, he said that Turkmen representatives had consulted with SCO officials in Beijing, and he could not rule out their becoming observers at sometime in the future. Comment: Sterligov also said that Turkmenistan has shown no interest in serving as a base for NATO operations in Afghanistan. Given its unease with U.S. bases in Central Asia, Russia is likely comfortable with Turkmen "neutrality" if it means no NATO troops on its soil. End Comment.

Strong Educational Ties

¶7. (C) Sterligov maintained that the primary purpose of Medvedev's trip was to open a new Russian-language School, a modern facility named for Alexander Pushkin and funded at

least in part by Gazprom. He explained that the school opening is part of a rich tradition of educational exchange with Turkmenistan that began during Soviet times and continues today with hundreds of Turkmen students studying in Russian universities, particularly in the areas of petroleum engineering and geology. He also noted that Moscow's prestigious Gubkin Academy of Oil and Gas recently opened a branch in Ashgabat.

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